

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP.)
FOR AN ADJUSTMENT IN EXISTING RATES) CASE NO. 2006-00369

THIRD DATA REQUEST OF COMMISSION
STAFF TO KENERGY CORP.

Kenergy Corp. (“Kenergy”) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due November 22, 2006. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to the Staff’s Second Data Request dated October 12, 2006 (“Staff Second Request”), Item 5.

a. Would Kenergy agree that the purpose of the storm damage expense adjustment is to determine a reasonable, on-going level of recurring expense to be incorporated into customer rates?

b. Given that Kenergy has incurred storm damage expenses in only 3 of the last 10 years, explain why it would be reasonable to incorporate a level of recurring storm damage expense in this case.

2. Refer to the response to the Staff Second Request, Item 9. Explain why the response does not address the interest income related to deferred compensation earnings and ERC interest. Include an explanation of why the interest income for these items was not normalized.

3. Refer to the response to the Staff Second Request, Item 12. Concerning the contracts with Townsend Tree Service Co., Inc. ("Townsend") and Progressive Solutions, LLC ("Progressive"):

a. Explain the process followed by Kenergy in the awarding of the contracts with Townsend and Progressive. If a competitive bidding process was not used, include in the explanation the reason(s) competitive bidding was not used.

b. Indicate how frequently Kenergy plans to review the contracts.

4. Refer to the response to the Staff Second Request, Item 15. Describe the actions taken by Kenergy in response to its auditor's findings concerning internal controls and operating efficiency.

5. Refer to the response to the Staff Second Request, Item 17. For each project listed in parts (a) through (m), provide a description of the project and explain how the project resulted in new or expanded businesses within the Kenergy service territory.

6. Refer to the response to the Staff Second Request, Item 18. For each of the three industrial foundations, describe the purpose of the foundation and describe the foundation's activities during 2004, 2005, and 2006.

7. Refer to the response to the Staff Second Request, Item 24.

a. Several of the expense descriptions reference "MRC."

(1) Explain the reference "MRC." In addition, explain the nature of these expenses and explain why expenses associated with this activity should be included for rate-making purposes. This includes, but is not limited to, expenses for a Christmas party and a dinner.

(2) Refer to page 42 of 59, line 784. Explain the expense entry identified as "A/P – MRC."

b. Several of the expense descriptions reference a "Telephone meeting."

(1) Was this a meeting to discuss telephone issues or a meeting conducted by telephone? Explain the response.

(2) Explain why expenses associated with the "Telephone meeting" should be included for rate-making purposes.

c. Several of the expense descriptions reference an "Evaluation meeting." Explain the purpose of this meeting and explain why expenses associated with this meeting should be included for rate-making purposes.

d. Refer to page 28 of 59, line 530; page 34 of 59, line 643; and page 38 of 59, line 687. Explain the purpose of the expenses described as "Legislative

Conference” and explain why expenses associated with this conference should be included for rate-making purposes.

e. Refer to page 30 of 59, line 564 and page 34 of 59, line 614. Explain the purpose of the expenses described as “Congressional Breakfast” and explain why expenses associated with the breakfast should be included for rate-making purposes.

f. Refer to page 59 of 59. For each of the “Other” expense categories listed below, describe the specific nature of the expense and explain why the expense should be included for rate-making purposes.

- (1) Strategic Plan Meal.
- (2) Chamber Banquet.
- (3) Board Meeting Supplies.
- (4) Service Awards.
- (5) Gifts.
- (6) Plaque for Board Chair.

8. Refer to the response to the Staff Second Request, Item 29. Staff has checked the calculations shown in the Application, Exhibit 13, Tab 3 and found differences that appear to be something other than simple rounding adjustments. For each account shown in Exhibit 13, Tab 3, prepare a schedule showing the original cost data from column (i), the recommended depreciation rates from column (g), the result of multiplying column (i) by column (g), and compare the results to the information shown in column (m). Explain all differences greater than \$100.



Beth O'Donnell
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Public Service Commission
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DATED November 9, 2006

cc: All Parties